
By: **Delegates Barkley and Amedori**
Introduced and read first time: January 29, 2003
Assigned to: Environmental Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property - Residential Leases - Interest on Security Deposits**

3 FOR the purpose of altering the interest rate paid on a security deposit under a
4 residential lease at the end of a tenancy; altering the interest rate paid on a
5 security deposit under a residential lease when an evicted or ejected tenant
6 makes a timely written demand for return of the security deposit; requiring the
7 interest rate to be adjusted at certain times; making a stylistic change;
8 providing for the application of this Act; and generally relating to security
9 deposits under residential leases.

10 BY repealing and reenacting, with amendments,
11 Article - Real Property
12 Section 8-203(e) and (h)
13 Annotated Code of Maryland
14 (1996 Replacement Volume and 2002 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article - Real Property**

18 8-203.

19 (e) (1) (I) Within 45 days after the end of the tenancy, the landlord shall
20 return the security deposit to the tenant together with simple interest which has
21 accrued [in the amount of 4 percent per annum,] AT THE RATE PROVIDED IN
22 SUBPARAGRAPH (II) OF THIS PARAGRAPH, less any damages rightfully withheld.

23 (II) 1. THE INTEREST RATE PAID ON A SECURITY DEPOSIT
24 UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL BE THE PASSBOOK RATE
25 THEN PREVAILING IN THE FINANCIAL INSTITUTION IN WHICH THE SECURITY
26 DEPOSIT IS HELD IN AN ACCOUNT.

27 2. THE INTEREST RATE UNDER THIS SUBPARAGRAPH SHALL
28 BE THE RATE PREVAILING ON JANUARY 1 AND JULY 1 OF EACH YEAR FOR EACH

1 6-MONTH PERIOD, OR PART OF EACH 6-MONTH PERIOD, OF THE TENANCY THAT
2 FOLLOWS THOSE DATES.

3 (2) Interest shall accrue at [six-month] 6-MONTH intervals from the
4 day the tenant gives the landlord the security deposit. Interest is not compounded.

5 (3) Interest shall be payable only on security deposits of \$50 or more.

6 (4) If the landlord, without a reasonable basis, fails to return any part of
7 the security deposit, plus accrued interest, within 45 days after the termination of the
8 tenancy, the tenant has an action of up to threefold of the withheld amount, plus
9 reasonable attorney's fees.

10 (h) (1) The provisions of subsections (e)(1) and (4) and (g)(1) and (2) of this
11 section are inapplicable to a tenant who has been evicted or ejected for breach of a
12 condition or covenant of a lease prior to the termination of the tenancy or who has
13 abandoned the premises prior to the termination of the tenancy.

14 (2) (i) A tenant specified in paragraph (1) of this subsection may
15 demand return of the security deposit by giving written notice by first-class mail to
16 the landlord within 45 days of being evicted or ejected or of abandoning the premises.

17 (ii) The notice shall specify the tenant's new address.

18 (iii) 1. The landlord, within 45 days of receipt of such notice, shall
19 present, by first-class mail to the tenant, a written list of the damages claimed under
20 subsection (f)(1) of this section together with a statement of the costs actually
21 incurred and shall return to the tenant the security deposit together with simple
22 interest which has accrued [in the amount of 4 percent per annum,] AT THE RATE
23 PROVIDED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH, less any damages
24 rightfully withheld.

25 2. A. THE INTEREST RATE PAID ON A SECURITY DEPOSIT
26 UNDER SUBSUBPARAGRAPH 1. OF THIS SUBPARAGRAPH SHALL BE THE PASSBOOK
27 RATE THEN PREVAILING IN THE FINANCIAL INSTITUTION IN WHICH THE SECURITY
28 DEPOSIT IS HELD IN AN ACCOUNT.

29 B. THE INTEREST RATE UNDER THIS SUBSUBPARAGRAPH
30 SHALL BE THE RATE PREVAILING ON JANUARY 1 AND JULY 1 OF EACH YEAR FOR
31 EACH 6-MONTH PERIOD, OR PART OF EACH 6-MONTH PERIOD, OF THE TENANCY
32 THAT FOLLOWS THOSE DATES.

33 (3) (i) If a landlord fails to send the list of damages required by
34 paragraph (2) of this subsection, the right to withhold any part of the security deposit
35 for damages is forfeited.

36 (ii) If a landlord fails to return the security deposit as required by
37 paragraph (2) of this subsection, the tenant has an action of up to threefold of the
38 withheld amount, plus reasonable attorney's fees.

1 (4) Except to the extent specified, this subsection may not be interpreted
2 to alter the landlord's duties under subsections (e) and (g) of this section.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be
4 construed to apply only prospectively and may not be applied or interpreted to have
5 any effect on or application to any residential lease entered into before the effective
6 date of this Act.

7 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take
8 effect October 1, 2003.